LISTING APPLICATION TO
NEW YORK STOCK EXCHANGE, INC.

B-4360
July 8, 1974

HEUBLEIN, INC.

87,937 ADDITIONAL SHARES OF COMMON STOCK

**CONSISTING OF 85,937 SHARES
IN CONNECTION WITH THE ACQUISITION OF
ZAPATA FOODS, INC.
AND
2,000 SHARES FOR SUBSTITUTE STOCK OPTIONS**

Number of Shares of Common Stock Issued as of May 31, 1974	Number of Common Stockholders of Record on May 31, 1974
20,981,930	27,057

DESCRIPTION OF THE TRANSACTION

Heublein, Inc. ("Heublein") has entered into an Agreement and Plan of Merger dated as of May 1, 1974 (the "Merger Agreement") with Zapata Foods, Inc., a Minnesota Corporation ("Zapata"), pursuant to which Zapata will be merged (the "Merger") with and into Heublein. The Merger is expected to become effective on July 17, 1974.

Heublein through certain of its officers, employees and agents, has investigated the financial condition, management and prospects of Zapata and regards the acquisition of such company as favorable in that it will complement Heublein's existing interests in the food field. In addition, Heublein regards the proposed merger as a suitable opportunity to strengthen its operations and increase its income.

The Merger Agreement provides that upon the consummation of the Merger, the shares of Common Stock of Zapata issued and outstanding shall be converted into and become Heublein Common Stock based on an exchange formula set forth in the Merger Agreement and in the Zapata Proxy Statement referred to below. The number of Heublein shares to be issued will not exceed 85,937. No fractional shares of Heublein Common Stock will be issued. As of May 31, 1974 there were issued and outstanding 503,396 shares of Common Stock of Zapata.

The terms of the Merger have been determined as a result of arm's-length negotiations. Heublein knows of no officer, director or principal stockholder of Heublein or any of its affiliates who has any direct or indirect beneficial interest in Zapata or in any of its securities. The Board of Directors of Heublein has approved the transaction and determined that the fair value of the Common Stock of Zapata is at least equal to the value of the shares of Heublein's Common Stock to be issued in exchange therefor.

The Merger will be treated for accounting purposes as a "pooling of interests". Heublein's independent certified public accountants, Arthur Young & Company, have reviewed and approved the foregoing accounting treatment as being in accordance with generally accepted accounting principles.

Also included in this application are 2,000 shares of Common Stock which are reserved for issuance as Heublein substitute stock options to certain former holders of stock options of Davis Food Service, Inc. under the Merger Agreement between that Company and Heublein. This Transaction is described in Heublein's Listing Application Number B-3346 dated August 1, 1973.

Attached hereto and made a part of this Listing Application are the following: a brief description of the history and business of Zapata (Exhibit A) and Zapata's financial statements (Exhibit B).

RECENT DEVELOPMENTS

Notice of any important, recent development affecting Heublein or its business has already been released publicly.

AUTHORITY FOR ISSUANCE

The Board of Directors of Heublein on January 21, 1974 and on April 25, 1974 adopted resolutions authorizing the execution and delivery of the Merger Agreement and the issuance of not more than 85,937 shares of additional Common Stock pursuant thereto. No further corporate action by Heublein is required. The issuance of 2,000 shares as substitute stock options has been authorized by Heublein's Board of Directors and was covered by certified resolutions filed with the New York Stock Exchange, Inc. as supporting documents for Heublein's Listing Application No. B-3346.

OPINION OF COUNSEL

Edward W. Lincoln, Jr., Esquire, Assistant General Counsel of Heublein, Inc. of Munson Road, Farmington, Connecticut has filed in support of this Application his opinion to the effect that (1) the additional shares of Heublein Common Stock to which this Listing Application relates have been duly authorized for issuance and, upon issuance in accordance with the terms of the Merger Agreement, will be validly issued, fully paid and nonassessable; (2) no personal liability will attach by reason of the ownership of said shares under the laws of the State of Connecticut, Heublein's state of incorporation and the location of its executive offices and principal place of business, except as provided in Section 33-359 of the Connecticut Stock Corporation Act; (3) with respect to 85,937 shares, Heublein filed a Registration Statement on Form S-14 pursuant to the Securities Act of 1933, as amended, which is effective and which covers the shares to be issued to the shareholders of Zapata under the Merger Agreement.

HEUBLEIN, INC.

By GENE R. EHNEN
Vice President & Controller

The New York Stock Exchange, Inc. hereby authorizes the listing of 87,937 shares of common stock, without par value, of Heublein, Inc., upon official notice of issuance.

85,937 shares of Common Stock in connection with the merger of Zapata Foods, Inc. into Heublein, Inc.

2,000 shares of Common Stock as substitute stock options.

making a total of 87,937 shares of Common Stock authorized to be listed.

MERLE S. WICK, Vice President
Division of Stock Listing

JAMES J. NEEDHAM, Chairman of the Board
New York Stock Exchange, Inc.

EXHIBITS

The following Exhibits constitute an integral part of this application. The statements of fact contained therein are made on the authority of Heublein in the same manner as those in the body of this application and are based upon information furnished to Heublein by the management of Zapata.

EXHIBIT A

HISTORY AND BUSINESS OF ZAPATA FOODS, INC.

Zapata Foods, Inc. was incorporated under the laws of the State of Minnesota on April 10, 1968 as El Taco of Minnesota, Inc. It is engaged in the operation of restaurants which feature Mexican style foods, and through its subsidiary, Zapata Kitchens, Inc., in the processing and wholesale and retail distribution of Mexican style foods under its tradename Zapata. Zapata's general offices are located at 402 Northwestern Federal Building, 730 Hennepin Avenue South, Minneapolis, Minnesota 55403. The processing plant for grocery products is located in Stoughton, Wisconsin. Substantially all of Zapata's restaurants are presently located in the Twin Cities metropolitan area. The grocery products are sold in over thirty states, primarily in the Midwest, South and East.

EXHIBIT B

FINANCIAL STATEMENTS OF ZAPATA FOODS, INC.

CONSOLIDATED STATEMENT OF OPERATIONS OF ZAPATA

The following consolidated statement of operations of Zapata Foods, Inc. and subsidiary for the five years ended March 31, 1974 has been examined by Touche Ross & Co., independent certified public accountants, as set forth in their report appearing elsewhere in this Proxy Statement. This consolidated statement of operations should be read in conjunction with the other financial statements and related notes of Zapata Foods, Inc. and subsidiary appearing elsewhere in this Proxy Statement.

	Year ended March 31,				
	1970	1971 (Note 2)	1972	1973	1974
REVENUES:					
Net sales:					
Grocery products		$390,686	$1,050,761	$1,788,645	$3,489,284
Restaurants	$283,404	316,956	540,649	1,193,068	2,200,640
Other	19,752	13,775			
	303,156	721,417	1,591,410	2,981,713	5,689,924
COSTS AND EXPENSES (Note 3):					
Direct costs:					
Grocery products (Note 4)		321,844	953,646	1,643,246	3,230,952
Restaurants	254,434	271,650	453,351	1,064,508	1,834,443
General and administrative	100,160	64,700	90,966	199,206	256,790
Interest (Note 5)	880	5,222	24,390	39,423	91,487
	355,474	663,416	1,522,353	2,946,383	5,413,672
EARNINGS (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	(52,318)	58,001	69,057	35,330	276,252
INCOME TAXES (Note 6):					
Federal	—	21,300	22,750	9,000	62,000
State	—	5,700	8,250	6,000	29,000
	—	27,000	31,000	15,000	91,000
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEMS	(52,318)	31,001	38,057	20,330	185,252
EXTRAORDINARY ITEMS (Note 7)	(4,894)	26,050	(31,896)	15,000	—
NET EARNINGS (LOSS)	($57,212)	$ 57,051	$ 6,161	$ 35,330	$ 185,252
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING (Note 8)	331,000	353,268	370,044	476,012	492,279
EARNINGS (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE (Note 8):					
Earnings (loss) before extraordinary items	($.16)	$.09	$.11	$.04	$.38
Extraordinary items	(.02)	.07	(.09)	.03	—
Net earnings (loss)	($.18)	$.16	$.02	$.07	$.38
EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE ASSUMING FULL DILUTION (Note 8):					
Earnings (loss) before extraordinary items	($.16)	$.09	$.11	$.04	$.37
Extraordinary items	(.02)	.07	(.09)	.03	—
Net earnings (loss)	($.18)	$.16	$.02	$.07	$.37

(1) See Note A to consolidated financial statements for a summary of significant accounting policies.

(2) The Company was organized in April 1968 to operate restaurants under a franchise arrangement. In that same year the Company by mutual agreement severed its relationship with the franchisor and commenced operation of its present restaurant business. The grocery products subsidiary, Zapata Kitchens, Inc., was organized and commenced operations during the year ended March 31, 1971.

(3) Costs and expenses include depreciation as follows:

Year ended March 31:	
1970	$ 7,567
1971	15,072
1972	32,206
1973	61,705
1974	120,631

(4) Direct costs—grocery products include distribution expenses as follows:

Year ended March 31:	
1971	$ 64,456
1972	288,687
1973	840,004
1974	1,092,218

(5) Interest expense includes the following:

	Interest expense		Amortization of debt expense	Total
	Long-term	Other		
Year ended March 31:				
1970	$ 880			$ 880
1971	3,340	$ 1,808	$ 74	5,222
1972	16,267	7,828	295	24,390
1973	32,271	6,178	974	39,423
1974	58,262	19,442	13,783	91,487

(6) Income tax expense is made up of the following components:

	Year ended March 31			
	1971	1972	1973	1974
Current tax expense	$27,000	$31,000	$15,000	$57,000
Deferred tax expense				34,000
	$27,000	$31,000	$15,000	$91,000

Deferred income taxes for the year ended March 31, 1974 represent primarily the income tax effect of the difference in depreciation of equipment computed using accelerated methods for income tax purposes and the straight-line method for financial reporting purposes.

Income tax expense for the year ended March 31, 1974 of $91,000 (an effective rate of 32.9%) is less than the amount of $133,000 computed by applying the federal income tax rate of 48% to earnings before income tax for the following reasons:

	Amount	Percent of pretax income
Computed normal tax expense	$133,000	48.0
State income taxes, net of federal benefit	15,000	5.4
Investment tax credit on assets purchased in the year ended March 31, 1974	(18,000)	(6.5)
Reduction in income taxes resulting from investment tax credit carry-forwards	(35,000)	(12.6)
Other	(4,000)	(1.4)
	$ 91,000	32.9

For years ending prior to March 31, 1974 federal and state income tax expense was comparable to the expense computed at the respective normal tax rates.

(7) Extraordinary items are as follows:

	Year ended March 31			
	1970	1971	1972	1973
Expenses of withdrawn public offerings	($4,894)		($24,904)	
Cost of settlement with former franchisee			(27,992)	
	(4,894)		(52,896)	
Applicable income tax credit on the above			23,432	
	(4,894)		(29,464)	
Capital loss on investment			(10,000)	
Reduction in income taxes from carryforward of operating losses		$26,050	7,568	$15,000
	($4,894)	$26,050	($31,896)	$15,000

(8) Earnings (loss) per share:

Earnings (loss) per common and common equivalent share are computed by dividing net earnings (loss) by the weighted average number of common and common equivalent shares outstanding during the year. Common equivalent shares consist of the dilutive effect of outstanding stock options and warrants and in 1970, 1971 and 1972 the 4% convertible subordinated debentures. Net earnings (loss) per common and common equivalent share assuming full dilution are computed by dividing net earnings (loss) by the weighted average number of common and common equivalent shares outstanding adjusted for additional dilution resulting from conversion of the 6% convertible subordinated notes and interest thereon. In the years ended March 31, 1972 and 1973 such assumed conversion was antidilutive.

Per share data gives effect to the two-for-one stock split in January, 1972.

(9) No cash dividends have been paid.

(10) Certain reclassifications have been made in the financial statements for the years 1970 through 1973 to conform to classifications used in 1974.

Zapata revenues for fiscal year 1974 were nearly double 1973 revenues due primarily to wider distribution of its grocery products, accompanied by slight sales increases in older markets, and the opening of four new restaurants, each of which contributed to revenues in fiscal 1974. Net earnings before income taxes and extraordinary items increased primarily because of the aforementioned substantial growth in revenues while general and administrative expenses increased at a comparatively modest rate. Net earnings as a percent of total revenue increased from 1.19% in 1973 to 3.26% in 1974, which increase is also attributable principally to the expansion of revenues without a comparable increase in general and administrative expenses.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
ZAPATA FOODS, INC.
Minneapolis, Minnesota

We have examined the consolidated balance sheet of Zapata Foods, Inc. and subsidiary as of March 31, 1974, and the related statements of operations and stockholders' equity for the five years then ended and changes in financial position for the three years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Zapata Foods, Inc. and subsidiary at March 31, 1974, and the results of their operations and the changes in their financial position for the years indicated in conformity with generally accepted accounting principles applied on a consistent basis.

TOUCHE ROSS & CO.

Minneapolis, Minnesota
April 22, 1974

ZAPATA FOODS, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

March 31, 1974

ASSETS

Current Assets:	
Cash	$ 86,427
Accounts receivable (no allowance for doubtful accounts is considered necessary) (Note D)	248,707
Inventories (Notes A, B and D)	330,893
Prepayments	38,096
Total Current Assets	704,123
Property and Equipment, at cost, less accumulated depreciation (Notes A, C, D and F)	1,532,176
Other Assets:	
Deposits	29,200
Debt expense, net of amortization (Note A)	4,506
Cash value of life insurance (Note D)	7,826
Miscellaneous	1,296
	42,828
	$2,279,127

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Notes payable to bank (Note D)	$ 150,000
Accounts payable	282,946
Accrued expenses and withholdings	94,720
Taxes on income	57,000
Current portion of long-term debt (Note D)	65,018
Total Current Liabilities	649,684
Long-Term Debt, less current portion (Note D)	487,786
Deferred Taxes on Income	34,000
Commitments and Contingencies (Notes F and G)	
Stockholders' Equity (Notes D and E):	
Common stock, par value $.10 a share, authorized 1,500,000 shares	51,540
Additional paid-in capital	929,536
Retained earnings	162,581
	1,143,657
Less common stock in treasury, at cost	36,000
	1,107,657
	$2,279,127

See notes to consolidated financial statements.

ZAPATA FOODS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Five Years Ended March 31, 1974

	Common stock		Additional paid-in capital	Retained earnings (deficit)	Common stock in treasury	
	Shares	Amount			Shares	Amount
BALANCES at March 31, 1969	165,500	$16,550	$259,950	($ 64,001)		
Net loss				(57,212)		
BALANCES at March 31, 1970	165,500	16,550	259,950	(121,213)		
Capital stock issued	5,000	500				
Net earnings				57,051		
BALANCES at March 31, 1971	170,500	17,050	259,950	(64,162)		
Two-for-one stock split (Note E)	170,500	17,050	(17,050)			
Conversion of 4% subordinated convertible debentures	20,000	2,000	18,000			
Fair value of warrants issued on sale of 9⅞% notes payable			4,869			
Capital stock issued:						
For cash	66,667	6,667	179,083			
For services	2,500	250	9,750			
Net earnings				6,161		
BALANCES at March 31, 1972	430,167	43,017	454,602	(58,001)		
Conversion of 6% convertible subordinated note	4,166	416	24,584			
Common stock issued:						
For cash	28,000	2,800	212,807			
For services	900	90	5,010			
Net earnings				35,330		
BALANCES at March 31, 1973	463,233	46,323	697,003	(22,671)		
Common stock purchased for treasury, at cost					12,000	($ 36,000)
Issuance of common stock upon exercise of warrants	23,000	2,300	55,200			
Conversion of 6% convertible subordinated notes	29,163	2,917	177,333			
Net earnings				185,252		
BALANCES at March 31, 1974	515,396	$51,540	$929,536	$162,581	12,000	($ 36,000)

See notes to consolidated financial statements.

ZAPATA FOODS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended March 31		
	1972	1973	1974
SOURCE OF FUNDS:			
Operations:			
Earnings before extraordinary items	$ 38,057	$ 20,330	$ 185,252
Depreciation and amortization	46,733	80,545	145,028
Services paid in common stock	10,000	5,100	
Income taxes (eliminated with extraordinary credit allocated)	31,000	15,000	
Deferred taxes on income			34,000
	125,790	120,975	364,280
Extraordinary items:			
Expenses of withdrawn public offering	(24,904)		
Costs of settlement with former franchise	(27,992)		
Other—no effect on funds:			
Capital loss on investment			
Reduction in income taxes resulting from carryforward of operating losses			
	72,894	120,975	364,280
Common stock issued	205,750	240,607	237,750
Proceeds from long-term borrowings	219,718	325,000	222,000
Increase in accounts payable	62,588	103,543	94,160
Proceeds from disposal of property and equipment	14,295	41,673	
Increase in accrued expenses and withholdings	12,720	26,183	42,546
Warrants issued with 9⅞% note payable	4,869		
Increase in taxes on income			57,000
	592,834	857,981	1,017,736
APPLICATION OF FUNDS:			
Additions to property and equipment	132,491	910,325	482,759
Increase in accounts and note receivable	30,246	38,121	135,070
Payments on long-term debt	28,562	125,206	50,011
Conversion of 4% subordinated debentures to common stock	20,000		
Increase in development costs	10,870	400	
Decrease (increase) in notes payable	45,000	(190,000)	40,000
Increase in inventories	8,827	145,636	78,859
Increase in prepayments	6,816	19,386	2,617
Increase in debt expense	15,355	7,550	
Increase (decrease) in deposits	1,444	23,089	(11,673)
Conversion of 6% convertible subordinated notes to common stock		25,000	175,000
Other applications	1,290	2,279	6,848
Purchase of common stock for treasury			36,000
	300,901	1,106,992	995,491
INCREASE (DECREASE) IN CASH	$291,933	($ 249,011)	$ 22,245

See notes to consolidated financial statements.

ZAPATA FOODS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Significant accounting policies:

Consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Zapata Kitchens, Inc. All material intercompany transactions and balances are eliminated.

Inventories:

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Depreciation:

The cost of property and equipment, is being depreciated over the estimated useful lives of the related asset using the straight-line method for all assets except building and improvements which is computed using the 150% declining balance method.

Estimated useful lives are as follows:

Building and building improvements	40 years
Plant equipment	3-10 years
Office furniture and equipment	3-10 years
Leasehold improvements	5-15 years
Automobiles and trucks	4- 5 years

Expenditures for maintenance and repairs are charged to expense and major renewals are capitalized. The cost of assets sold or retired and the related accumulated depreciation are eliminated from the accounts in the year of sale or retirement, and the gain or loss is reflected in the statement of operations.

Amortization:

Debt expense is being amortized over the life of the related debt.

Income taxes:

The Company uses the "flow-through" method in accounting for investment tax credit. Under this method the credit, including available carryovers, is applied to the reduction of any federal taxes currently payable.

Deferred income taxes represent primarily the income tax effect of the difference in depreciation of equipment computed using accelerated methods for income tax purposes and the straight-line method for financial reporting purposes.

B. Inventories:

Inventories used in determining direct costs consisted of:

	March 31			
	1971	1972	1973	1974
Raw materials	$34,020	$ 40,888	$ 59,931	$147,378
Supplies and packaging	21,029	24,892	48,197	74,896
Finished goods	42,522	40,618	143,906	108,619
	$97,571	$106,398	$252,034	$330,893

ZAPATA FOODS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

C. Property and equipment:

Land	$ 80,516
Buildings and improvements	514,905
Restaurant equipment	428,130
Plant equipment	497,661
Office furniture and equipment	23,836
Leasehold improvements	175,508
Automobiles and trucks	31,043
	1,751,599
Less accumulated depreciation and amortization	219,423
	$1,532,176

D. Long-term debt and notes payable to bank:

Long-term debt consisted of the following at March 31, 1974:

Mortgage note payable, variable interest rate (8½% at March 31, 1974), due $1,698 monthly to September 30, 1997, including interest	$216,418
Mortgage note payable, 9%, due $945 monthly to October 30, 1987, including interest	102,161
11% note, payable $4,097 monthly to June 20, 1976	97,513
Mortgage notes payable, 10%, due $1,042 monthly to October 1, 1988	95,810
9⅞% note, less unamortized discount of $1,947, payable $15,000 on January 15, 1975 and $25,000 on January 16, 1976	38,053
11% installment note	2,849
	552,804
Less portion due within one year	65,018
	$487,786

Substantially all property and equipment and a $50,000 life insurance policy is pledged to the above long-term debt and the notes payable to bank. In addition, the notes payable to bank are collateralized by accounts receivable, inventories and the personal guarantee of an officer.

Loan agreements in connection with the 9⅞% note payable contain restrictions on the payment of salaries and dividends, the redemption of stock or warrants and the incurring of debt beyond limits specified in the agreements. At March 31, 1974 approximately $24,000 is available for dividends after providing for restrictions imposed by the loan agreement and the cost of treasury stock.

Required payments on long-term debt are as follows:

Year ending March 31:	
1975	$65,018
1976	79,424
1977	22,282
1978	11,179
1979	12,228

The average aggregate short-term bank loans were $200,000 and the average interest rate (computed on the weighted average of outstanding loan balances) was 9.56% during 1973. The loan outstanding at March 31, 1974 had an interest rate of 11¼%. The highest month-end borrowing during 1973 was $270,000.

ZAPATA FOODS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

E. Common stock, warrants, stock options:

A 100% stock dividend was declared by the Board of Directors in January 1972 thus effectuating a two-for-one stock split. In connection therewith, 170,500 additional shares of stock were issued and $17,050 was transferred from additional paid-in capital to common stock.

Effective March 31, 1972, the Articles of Incorporation were amended to increase the authorized common stock of the Company to 1,500,000 shares of $.10 par value.

The Company has a Qualified Stock Option Plan under which 30,000 shares are reserved for issuance at not less than fair market value at the date of grant to key employees. The options are exercisable after the completion of one year of employment and all options expire five years from date of grant. At present no options have been exercised. The following summarizes certain information as to the plan (all share and per share data give effect to the stock split):

		Option Price (Same As Fair Value (1) At Date of Grant)	
	Number of Shares	Per Share	Total
Shares subject to option of which 9,500 shares were exercisable at March 31, 1974	16,500	$ 1.75 to 12.275	$61,643

Options outstanding at March 31, 1974 were granted and expire as follows:

Granted		Expire	
Year ended March 31	Shares	Date	Shares
1971	7,000	June 1975	7,000
1973	1,500	October 1977	1,500
1974	8,000	June 1978	5,000
		December 1978	3,000
	16,500		16,500

		Option Price (Same As Fair Value (1) At Date of Grant)	
	Number of Shares	Per Share	Total
Shares as to which options became exercisable during the year ended March 31:			
1971	7,000	$ 1.75	$12,250
1973	1,500	11.875 to 12.275	18,213
1974	1,000	9.75	9,750

(1) As determined by the Board of Directors.

No options were exercised during the years ended March 31, 1970 through 1974

ZAPATA FOODS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Since under the plan the option price is set at not less than 100% of the fair value on the date of grant, there is no compensation to be charged against income. When options are exercised, the excess of the option price of the shares issued over the par value is credited to additional paid-in capital.

At March 31, 1974, 8,000 additional shares of common stock are reserved for issuance upon the exercise of 8,000 warrants. The warrants are exercisable through December 9, 1976 at a conversion price of $1.50 a share, the fair value as determined by the Board of Directors at the date of issue.

F. Commitments and contingencies:

Noncancellable leases on the Company's restaurant and general office locations provide for approximate minimum annual rentals as follows:

Years ending March 31:	
1975	$162,000
1976	157,000
1977	156,000
1978	156,000
1979	156,000
1980 through 1985	159,000 to $137,000
1986 through 1990	131,000 to 35,000
1991 through 1994	29,000 to 23,000

The present value of noncancellable minimum annual lease commitments is $1,288,000 at March 31, 1974 with a weighted average interest rate of 8.3% (interest rate range 6.5% to 10.5%).

Certain of the leases provide for additional rentals based on a percentage of gross sales. Rent expense and the portion of rent expense resulting from rentals above the minimum are as follows:

Years Ended March 31	Rent Expense	Rents Above Minimum
1972	$ 43,030	$ 4,601
1973	96,554	11,538
1974	164,792	20,828

All of the restaurant leases provide for the Company to pay real estate taxes and insurance and all have options for renewal under the same terms for two additional five year periods.

If financing leases included above were capitalized and interest and amortization charged to operations in lieu of the minimum annual lease payments, net earnings before extraordinary items would have been reduced as follows:

	Year Ended March 31		
	1972	1973	1974
Interest	$26,000	$46,000	$ 86,000
Amortization	24,000	44,000	77,000
	50,000	90,000	163,000
Less rental expense	41,000	74,000	133,000
Reduction in net earnings before income taxes	9,000	16,000	30,000
Reduction in income taxes	4,500	8,000	15,000
Reduction in net earnings before extraordinary items	$ 4,500	$ 8,000	$ 15,000

ZAPATA FOODS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Concluded)

The President of the Company has personally guaranteed decreasing portions of two of the above leases during the first five years of each lease.

The lessors at two of the Company's restaurant locations have been given a security interest in equipment carried at approximately $59,000 at March 31, 1974.

G. Proposed merger:

During the fiscal year ended March 31, 1974 the Company entered into negotiations to merge with Heublein, Inc. Under the proposed plan the Company's stockholders would receive stock of Heublein, Inc. in exchange for shares in the Company in accordance with a ratio defined in the proposal. The execution of a formal agreement is subject to the approval of the Board of Directors of both companies and the stockholders of Zapata Foods, Inc.

H. Supplementary profit and loss information:

	Amounts Charged Directly to Costs and Expenses		
	Year Ended March 31		
	1972	1973	1974
Maintenance and repairs	$13,452	$39,952	$ 57,677
Depreciation and amortization of property, plant and equipment	32,206	61,705	120,631
Depreciation and amortization of intangible assets, deferred research and development expenses, preoperating costs and similar deferrals	14,527	18,840	24,397
Taxes other than income taxes:			
Payroll	22,861	50,404	84,142
Other	17,462	24,536	48,031
Rents	43,030	96,554	164,792
Advertising costs	26,027	26,712	101,418

There were no royalties or research and development costs incurred during the above periods.